Office of the Auditor General of Canada

2010–11 Estimates

Report on Plans and Priorities

Approved

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Auditor General of Canada

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Message from the Auditor General of Canada

Photo by Ashley & Crippen (Toronto, Ontario)

Sheila Fraser, Auditor General of Canada

I am pleased to present my Office's Report on Plans and Priorities for the 2010–11 fiscal year.

Three different challenges are shaping our plans and priorities for the coming year: the current economic situation, the imminent conversion to international financial reporting and auditing standards, and the need to strengthen our Quality Management System (QMS).

In light of the current economic situation, we have chosen to take the same course of action as we did last year and are not requesting any additional funding for 2010–11. Instead, we are continuing efforts to reduce our total expenses. We plan to deliver fewer performance audit reports, 24 in 2010 rather than the 30 or so of previous years. We are redeploying auditors within the Office to decrease our use of contract auditors, and are also taking measures to reduce our corporate costs. We will reassess our situation when we plan our budget for 2011–12.

The adoption of international standards in 2010 and 2011 will lead to significant changes in auditing and accounting in Canada. In 2010–11, we will continue to implement the plan we developed in the last few years to address our needs, especially in the areas of communications, training, and development of audit tools. The strategic alliance we formed in 2008–09 with a major accounting firm and the creation of the National Professional Practices Group within our Office will further help us and provincial legislative audit offices to reach our goals.

Our Quality Management System guides our audit work, ensuring that it is in accordance with professional standards. Our 2008–09 internal practice reviews identified instances where it was not applied consistently and rigorously. As a result, we made updating and strengthening the design and implementation of our QMS a priority starting in 2009–10. We will be undertaking a significant revamp of our audit manuals, associated methodology, and Professional Development curriculum.

An international team is currently reviewing our three audit practices and key services that directly support audit operations. The team is led by the National Audit Office of Australia. We will report the results of this International Peer Review of our Office in mid-2010.

For the third year in a row, the Office has been chosen as one of Canada's Top 100 Employers and one of the National Capital Region's Top 25 Employers. In addition, this is the second year we have been named one of Canada's Top 20 Family-Friendly Employers. We are very pleased by these awards and see them as a recognition of the efforts we make to ensure that our employees are fulfilled in both their professional and personal lives.

I am fortunate to be supported by colleagues who are dedicated to excellence, integrity, and making a difference to Canadians. With them, I look forward to continuing to serve Parliament and trust that parliamentarians find our work useful.

Sheila Fraser, FCA
Auditor General of Canada

1 February 2010

Section I—Office Overview

Who we are

The Office of the Auditor General of Canada is the legislative audit office of the federal government. We are also the legislative auditor of the three territories. We conduct independent audits and studies that provide objective information, advice, and assurance to Parliament, territorial legislatures, governments, and Canadians. With our reports and testimony at parliamentary hearings, we assist Parliament in its work on the authorization and oversight of government spending and operations.

What we do

The Auditor General is an Officer of Parliament, who is independent from the government and reports directly to Parliament. Her duties are set out in the *Auditor General Act*, the *Financial Administration Act*, and other acts and orders-in-council. These duties relate to legislative auditing and, in certain cases, to monitoring of federal departments and agencies, Crown corporations, territorial governments, and other entities.

The Office of the Auditor General's main legislative auditing duties are

- financial audits,
- performance audits,
- special examinations,
- sustainable development monitoring activities and environmental petitions, and
- assessments of agency annual performance reports.

Financial audits

Our financial audits provide assurance that financial statements are presented fairly in accordance with Canadian generally accepted accounting principles or, in a few cases, with other relevant standards. Where required, we provide assurance that the organizations we audit comply, in all significant respects, with legislative authorities that are relevant to a financial audit. We also conduct financial audits of federal and territorial Crown corporations and of other organizations. We audit the summary financial statements of the Government of Canada and each of the three territories (Nunavut, the Yukon, and the Northwest Territories).

If issues or opportunities for improvement in areas such as financial reporting and internal controls come to our attention during our financial audit work, we make recommendations to management. We also provide information and advice to support audit committees in meeting their responsibilities for oversight of financial reporting and internal control.

Performance audits

Performance audits examine, against established criteria, whether government programs are being managed with due regard to economy, efficiency, and environmental impact, and

whether the government has the means to measure and report their effectiveness. Our reports contain recommendations for addressing the most serious deficiencies identified.

The *Auditor General Act* gives the Office the discretion to determine what areas of government it will examine in its performance audits. We may decide to audit a single government program or activity, an area of responsibility that involves several departments or agencies, or an issue that affects many departments and agencies. We consider requests for audits that we receive from parliamentary committees. However, the final decision about what to audit is made by the Auditor General.

Special examinations

Our special examinations assess the systems and practices maintained by Crown corporations to safeguard their assets; to manage their human, physical, and financial resources economically and efficiently; and to carry out their operations effectively. A special examination provides an opinion to the board of directors of the corporation on whether there is reasonable assurance that there are no significant deficiencies in the corporation's systems and practices. In addition to reporting on significant deficiencies, our special examinations highlight systems and practices that contribute to success and provide information and recommendations to boards of directors about opportunities for improvement.

The *Financial Administration Act* (FAA) requires that all parent Crown corporations be subject to a special examination by the Office, except for the Bank of Canada, which is exempted from this requirement, and the Canada Pension Plan Investment Board, which, under its Act, is subject to a special examination by an auditor chosen by the board of directors. Until this year, Crown corporations were required to undergo special examinations at least once every five years. Over the past few years, we had been suggesting an increase in the number of years between special examinations. In early 2009, the *Budget Implementation Act* changed the frequency of special examinations in the FAA to at least once every 10 years.

Sustainable development monitoring activities and environmental petitions

The Commissioner of the Environment and Sustainable Development assists the Auditor General in performing her duties related to the environment and sustainable development. The Commissioner conducts performance audits to monitor the government's management of environmental and sustainable development issues and, on behalf of the Auditor General, reports to Parliament on issues that should be brought to its attention. Under the *Kyoto Protocol Implementation Act*, the Commissioner is required to provide Parliament with a biennial report; this report includes an analysis of Canada's progress in implementing its climate change plans; an analysis of Canada's progress in meeting its obligations under Article 3, paragraph 1, of the Kyoto Protocol; and any observations and recommendations on any matter that the Commissioner considers relevant.

With passage of the *Federal Sustainable Development Act* in June 2008, the Commissioner was given the responsibility of reviewing a draft of the federal government's sustainable development strategy and commenting on whether the targets and implementation strategies can be assessed. The first federal strategy must be tabled in the House of Commons no later than June 2010.

Once every three years, beginning in 2011, 28 federal departments must prepare sustainable development strategies that contribute to and comply with the federal strategy. The Commissioner must report annually to the House of Commons on the extent to which departments subject to the *Federal Sustainable Development Act* have contributed to meeting the targets set out in the federal strategy and have met the objectives and implemented the plans set out in their own sustainable development strategies. In June 2011, the government must report on progress in implementing its strategy. The Commissioner must assess the fairness of the information contained in the government's progress report.

The Commissioner also administers the environmental petitions process. He monitors responses to environmental petitions, and reports annually to Parliament on petitions activities from the previous year, including instances where ministers' responses to petitions were not provided within the 120-day time limit specified in legislation.

Assessments of agency annual performance reports

The legislation governing the Parks Canada Agency, the Canadian Food Inspection Agency, and the Canada Revenue Agency requires the Auditor General to periodically carry out an assessment of the fairness and reliability of the performance information reported in their annual reports against corporate objectives they provided to Parliament.

Professional practices

In order to ensure the reliability and consistency of our audit work, the Office makes an ongoing investment in professional practices. This investment supports

- the development and maintenance of up-to-date audit methodology, guidance, and audit tools;
- communication and training to promote consistency in the application of audit methodology and our Quality Management System; and
- the provision of advice on the interpretation and application of professional standards, Office policies, audit methodology, and the Office's Quality Management System.

Through the Professional Practices Group, the Office works with other legislative audit offices and professional associations, such as The Canadian Institute of Chartered Accountants, to advance legislative auditing methodology, accounting and auditing standards, and best practices. We regularly participate in external reviews of other national legislative audit offices and are the subject of external reviews.

International activities

Our international strategy guides our international activities and positions the Office to meet future opportunities and challenges. The strategy has four goals: contributing to the development and adoption of appropriate and effective professional standards; sharing knowledge among audit offices; building capabilities and professional capacities of audit offices; and promoting better managed and accountable international institutions (see Section III for more details).

Strategic outcome and expected results

The long-term strategic outcome of the Office of the Auditor General is to contribute to better-managed government programs and better accountability to Parliament through our legislative auditing.

We have identified a number of results that we expect to achieve with our audits in the short, medium, and long term. In the short term, we want to engage Parliament and federal and territorial organizations in the audit process, ensure that Parliament is well-informed about our work, and maintain support for our role and work. In the medium term, we want to assist Parliament in holding the government to account; make our work relevant to federal and territorial organizations, departments, agencies, and Crown corporations; and ensure that the public is well informed about our work. In the long term, we want our work to lead to more effective, efficient, and economical government programs and operations, and programs that foster sustainable development.

The following tables provide the Office's planning summary, including strategic outcome, expected results, performance objectives, indicators and targets, and details of planned spending for the coming year (Exhibits 1 and 2).

Exhibit 1—Planning summary

Strategic outcome: We contribute to a well-managed and accountable government for Canadians

Expected results

- Parliament is well-informed
- Parliament and federal and territorial organizations are engaged in the audit process
- Parliament holds government to account
- Our work is relevant to federal and territorial organizations, departments, agencies, and Crown corporations
- The media and public are well-informed
- Support for our role and work is maintained

Objectives	Indicators and targets
Key users of our reports are engaged in the audit process	Maintain the percentage of audits that are reviewed by parliamentary committees Maintain the percentage of parliamentary hearings and briefings we participate in, relative to the number of sitting days
Our work adds value for the key users of our reports	Maintain or increase the percentage of users who find our audits add value
Our work adds value for the organizations we audit	Maintain or increase the percentage of senior managers who find our audits add value
Key users of our reports and the organizations we audit respond to our findings	Maintain or increase the percentage of recommendations that are implemented or reservations/deficiencies that are addressed

Exhibit 1—Planning summary		
Legislative auditing activity[1]	**Forecast spending 2009–10 ($ millions)**	**Planned spending 2010–11 ($ millions)**
Financial audits of Crown corporations, territorial governments, and other organizations, and of the summary financial statements of the Government of Canada	41.3	41.1
Performance audits and studies	41.5	41.6
Special examinations of Crown corporations	4.5	1.9
Sustainable development monitoring activities and environmental petitions	2.3	1.8
Assessments of agency annual performance reports	.5	.8
Professional practices	11.8	11.6
Total cost of operations	101.9	98.8
Less: costs recovered[2]	1.1	.8
Net cost of operations	**100.8**	**98.0**[3]

[1] We have allocated the cost of audit services to each legislative auditing activity.

[2] The costs include respendable revenue from the National Professional Practices Group and non-respendable revenue from the audit of the International Labour Organization, which we conduct on a cost recovery basis.

[3] Our planned spending for 2010–11 appears to be decreasing because amounts for our carry-forward funding, salary increases, and parental leave/severance payments are not included in these numbers.

Exhibit 2—Voted and statutory items ($ millions)			
Vote # or statutory item (S)	**Vote or statutory wording**	**2009–10 Main Estimates**	**2010–11 Main Estimates**
15	Program expenditures	72.6	75.1
(S)	Contributions to employee benefit plans	9.6	10.0
	Total	82.2[1]	85.1[2]

[1] The difference between 2009–10 net cost of operations ($100.8 million) and Main Estimates ($82.2 million) includes cost of services received without charge from other government departments ($13.9 million), costs recovered ($1.1 million), and other adjustments that are routine in nature, including the carry-forward funding, salary increases, and parental leave/severance payments.

[2] In 2009, the Office completed negotiations for the collective bargaining agreement with its staff, which resulted in retroactive pay increases for 2007–08, 2008–09, and 2009–10. These pay increases appear in the Main Estimates for the first time in 2010–11.

The following tables provide the Office's planned financial and human resources for the next three years (Exhibit 3).

Exhibit 3—Planned financial and human resources

Financial resources	Forecast spending 2009–10	Planned spending 2010–11	Planned spending 2011–12	Planned spending 2012–13
Net cost of operations ($ millions)	100.8	98.0	98.0	97.6

Human resources	Forecast 2009–10	Planned 2010–11	Planned 2011–12	Planned 2012–13
Full-time equivalents (FTEs)	635	635	635	635

Our priorities for 2010–11

We have established three strategic priorities for the 2010–11 fiscal year:

- Integrating changes to professional standards
- Updating and strengthening the design and implementation of our Quality Management System
- Improving resource allocation and project management

Integrating changes to professional standards

Decisions made by the standard-setting boards of The Canadian Institute of Chartered Accountants, to adopt International Standards on Auditing (ISA) in 2010 and International Financial Reporting Standards (IFRS) in 2011, will lead to significant changes in auditing and accounting in Canada. A large number of the entities we audit will be changing the basis of accounting used to prepare their annual financial statements—some to IFRS and others to public sector accounting standards. Thus, the financial statements that we are responsible for auditing will change, as well as the manner in which we conduct and report our audits.

The strategic alliance we formed in 2008–09 with a major accounting firm to assist us in implementing the new standards gives us access to its tools, methodology, and training. We are continuing to work on adapting the firm's methodology and training to our Office.

In addition, through the National Professional Practices Group that we created within our Office, we provide technical accounting and auditing advisory services, practice advisories, financial audit methodology, and training support to the offices of provincial auditors general. Parliament has provided us with re-spending authority for the amounts recovered from our provincial counterparts. By creating this group, we and our provincial colleagues are able to more effectively implement the new professional standards.

Updating and strengthening the design and implementation of our Quality Management System

Our audit work is guided by a rigorous methodology and quality management system. Annual internal reviews and periodic external peer reviews provide the Auditor General with opinions on whether our audits are conducted in accordance with professional standards, and whether our Quality Management System (QMS) is appropriately designed and effectively implemented. Annual internal reviews also conclude on whether the opinions and conclusions contained in our audit reports are appropriate and supported by the evidence.

In 2008–09, all but one of our internal practice reviews found that the opinions and conclusions expressed in our reports were appropriate and supported by the evidence. In the one exception, the audit team carried out additional work and no change to the audit report was required. However, the reviews identified a number of instances where improvements should be made to our Quality Management System and where the QMS was not applied consistently and rigorously. As a result, we made updating and strengthening the design and implementation of the QMS a strategic priority starting in 2009–10.

We are addressing this strategic priority and our first priority—integrating changes to professional standards—through the following initiatives:

- a major update of our audit manuals and associated methodology; and
- a review and update of our Professional Development curriculum.

The significance and magnitude of our efforts are reflected in corresponding increases to the forecast and planned spending for professional practices. In 2008–09, the Office spent $8.8 million for professional practices. In 2009–10, we are forecasting spending of $11.8 million. In 2010–11, we are planning to spend $11.6 million.

Improving resource allocation and project management

We have been reporting externally on our on-budget performance since 2006–07, and there is still room for improvement. Our 2008 employee survey identified a matter we believe is related—improving our allocation of staff to audit projects.

In 2008–09, we undertook a number of initiatives to improve our overall project management, including better planning, budgeting, and resource allocation. In the following year, we carried out a study of how budgets for individual projects are established and monitored across all product lines, and we identified best practices and challenges. Using this information, we developed a comprehensive action plan to further improve on-budget performance. The plan, which includes communicating Office expectations, providing support for managing budgets, encouraging best practices, and recognizing performance, is now being implemented. Also, our central Audit Resource Planning and Career Management team will continue to facilitate allocation of staff to projects.

We are raising our targets for our on-budget indicator to 80 percent beginning in 2010–11.

Other challenges and initiatives

Funding. We are experiencing a number of funding pressures, including those related to new audit responsibilities we have been given in recent years. In light of the current fiscal climate, we did not seek additional funding in 2009–10, nor are we doing so for 2010–11. We will reassess our situation when we plan our budget for 2011–12.

We are reducing our expenses in a number of ways. Beginning in 2010, we are reducing the number of performance audits conducted from approximately 30 to about 25 a year. We are also reducing our use of auditors on a contract basis by redeploying auditors within the Office. Further, we have reviewed all of our corporate service, travel, and other non-fixed costs to identify possible savings. We anticipate that these actions will provide the resources necessary for us to fulfill new audit responsibilities and to implement the plans to address our three strategic priorities.

Sustaining our capacity. Our people are central to our ability to fulfill our responsibilities and achieve our strategic outcome. We have made the orientation and integration of new staff a key activity of our Office as a way of promoting retention and engagement. Based on the results of detailed research and analysis carried out in 2009–10, we identified best practices that could be applied more consistently and recommended areas for improvement. The Human Resource Committee will monitor implementation of the recommendations.

Official languages. The Office marked the 40th anniversary of the *Official Languages Act* by renewing its commitment to promoting bilingualism across the Office. Our 2009–2012 Official Languages Strategy focuses on training and building a supportive culture.

Section II—Planning Highlights by Product Line

Our main legislative auditing activities

The Office contributes to a well-managed and accountable government for Canadians through our work in the five types of legislative auditing activities (Exhibit 4).

Exhibit 4—Our legislative auditing activities

Financial audits of Crown corporations, territorial governments, and other organizations, and of the summary financial statements of the Government of Canada	Performance audits and studies	Monitoring of sustainable development activities and the environmental petitions process	Special examinations of Crown corporations	Assessments of agency performance reports

We gather information on the impact of our work and have established indicators and targets to measure the results for our three major activities: financial audits, performance audits, and special examinations. The following sections describe the main activities, expected results, performance objectives, indicators and targets, and planned financial resources for each of these activities.

Review and revision of performance targets

We recently reviewed all of our targets and revised some effective in 2009–10 (Exhibit 5). We begin our performance target-setting process by identifying any standards established by legislative or other authorities. For example, many of our financial audits have statutory reporting deadlines and, for these audits, our on-time target is 100 percent. Where no such standards exist, we look to identify reasonable expectations and then consider the trend of past performance. For example, while we might expect that all audits would be completed within 150 days of the year end to be timely and useful, our experience has been that about 80 percent are completed within this time period. We believe that our targets represent reasonable performance expectations and failure to meet them would alert us to a potential problem.

We set targets that we believe are realistic and attainable while holding ourselves to a high level of performance. For example, while we believe it is not realistic for all users of our reports to find that we always add value on all dimensions that we monitor, we believe that a realistic and high standard is that 9 out of 10 users of our reports would feel this way. We have therefore set a target of 90 percent for all users of our reports. In the case of the indicator of adding value for the organizations we audit, which are not our primary clients, our targets are slightly lower. Based on past results, we have set this target at 80 percent for senior managers subject to our financial audits and special examinations and 70 percent for senior managers subject to our performance audits. We believe that these targets reflect a very positive level of performance and any significantly different result would warrant our attention.

Exhibit 5—Revised performance targets effective in 2009–10		
Objectives and Indicators	**Original target**	**Revised target**
Percentage of audit committee chairs who find our financial audits add value	75	90
Percentage of Crown corporation and large-department senior managers who find our financial audits and special examinations add value	75	80
Percentage of department senior managers who find our performance audits add value	65	70
Percentage of financial audits of federal organizations with no statutory deadlines completed on time	70	80
Percentage of financial audits of territorial organizations completed on time	55	60
Percentage of financial audits of territorial organizations completed on budget	55	60

A complete list of our performance indicators and targets is included in Section III—Supplementary Information.

Financial audits of Crown corporations, territorial governments, and other organizations

Financial audits answer the following questions:

- Are the annual financial statements of Crown corporations, territorial governments, and other organizations presented fairly?
- Is the federal government presenting fairly its overall financial situation?
- Are these entities complying with their legislative authorities?

Planning highlights. The Office has statutory responsibilities for the audit of the summary financial statements of the Government of Canada and each of the three territorial governments, the financial statements of federal and territorial Crown corporations, and other entities. The audit of the International Labour Organization (a United Nations agency) is included among other entities.

We have also recently been named the auditor of the newly created Canadian Securities Regulation Regime Transition Office. While we were previously joint auditor of the Canada Lands Company Limited, we have recently been appointed sole auditor.

In 2010–11, we will conduct a total of more than 130 financial audits and related assurance engagements.

The following table includes the expected results, performance objectives, indicators and targets, and planned financial resources for financial audits of Crown corporations, territorial governments, and other organizations, as well as the audit of the summary financial statements of the Government of Canada (Exhibit 6).

Exhibit 6—Financial audits	
Expected results • Parliament and federal and territorial organizations are engaged in the audit process • Parliament holds government to account • Our work is relevant to federal and territorial organizations, departments, agencies, and Crown corporations	
Objectives	**Indicators and targets**
Our work adds value for the key users of our reports	90 percent of audit committee chairs find our financial audits add value
Our work adds value for the organizations we audit	80 percent of Crown corporation and large-department senior managers find our financial audits add value
Key users of our reports and the organizations we audit respond to our findings	100 percent of the reservations in our audit opinions are addressed from one financial audit to the next
Planned financial resources 2010–11: $41.1 million	

Performance audits and studies of departments and agencies

Performance audits answer the following questions:

- Are federal government programs well managed?
- Have they been run with due regard to economy, efficiency, and their environmental effects?
- Does the government have the means to measure their effectiveness where it is reasonable and appropriate to do so?

Planning highlights. In 2010–11, we plan to report the findings of 24 federal and territorial performance audits identified through our risk-based planning process. Our audit schedule for the coming year is in Section III—Supplementary Information.

The following table includes the expected results, performance objectives, indicators and targets, and planned financial resources for performance audits and studies (Exhibit 7).

Exhibit 7—Performance audits and studies	
Expected results • Parliament and federal and territorial organizations are engaged in the audit process • Parliament holds government to account • Our work is relevant to federal and territorial organizations, departments, agencies, and Crown corporations	
Objectives	**Indicators and targets**
Key users of our reports are engaged in the audit process	• 60 percent of performance audits are reviewed by parliamentary committees • Maintain the percentage of parliamentary hearings and briefings we participate in, relative to the number of sitting days
Our work adds value for the key users of our reports	90 percent of selected parliamentary committee members find our performance audits add value
Our work adds value for the organizations we audit	70 percent of departmental senior managers find our performance audits add value
Key users of our reports and the organizations we audit respond to our findings	75 percent of performance audit recommendations are substantially or fully implemented four years after their publication
Planned financial resources 2010–11: $41.6 million	

Special examinations

A special examination of a Crown corporation answers the following question:

- Do the systems and practices used by the Crown corporation provide reasonable assurance that assets are safeguarded, that resources are managed economically and efficiently, and that operations are carried out effectively?

Planning highlights. During a 10-year period, the Office performs special examinations of about 45 federal Crown corporations. In 2010–11, we plan to report on the special examinations of the 4 corporations listed in Section III—Supplementary Information.

The following table includes the expected results, performance objectives, indicators and targets, and planned financial resources for special examinations of Crown corporations (Exhibit 8).

Exhibit 8—Special examinations	
Expected results • Parliament and federal organizations are engaged in the audit process • Parliament holds government to account • Our work is relevant to federal organizations, departments, agencies, and Crown corporations	
Objectives	**Indicators and targets**
Our work adds value for the key users of our reports	90 percent of board chairs find our special examinations add value
Our work adds value for the organizations we audit	80 percent of Crown corporation chief executive officers find our special examinations add value
Key users of our reports and the organizations we audit respond to our findings	100 percent of significant deficiencies are addressed from one special examination to the next
Planned financial resources 2010–11: $1.9 million	

Our measures of organizational performance

We measure and manage our performance as an organization in a number of ways. The following section describes three key areas of our performance and the objectives, indicators, and targets that we measure our performance against.

Delivering our work on time and on budget

The following table includes the objectives, indicators, and targets for delivering our work on time and on budget (Exhibit 9).

Exhibit 9—Delivering our work on time* and on budget**	
Objectives	**Indicators and targets**
Financial audits	
On time	• 100 percent of financial audits of federal Crown corporations are completed on time • 100 percent of financial audits of other federal organizations with a statutory deadline are completed on time • 80 percent of financial audits of federal organizations with no statutory deadline are completed on time • 60 percent of financial audits of territorial organizations are completed on time
On budget	• 80 percent of financial audits of federal Crown corporations are completed on budget • 80 percent of financial audits of other federal organizations with a statutory deadline are completed on budget • 80 percent of financial audits of federal organizations with no statutory deadline are completed on budget • 80 percent of financial audits of territorial organizations are completed on budget

Exhibit 9—Delivering our work on time* and on budget**	
Performance audits	
On time	90 percent of performance audit reports are completed by the planned tabling date as published in the Report on Plans and Priorities
On budget	80 percent of performance audits are completed on budget
Special examinations	
On time	100 percent of special examination reports are delivered on or before the statutory deadline
On budget	80 percent of special examinations are completed on budget

* "On time" for financial audits means the statutory deadline where one exists (usually 90 days after year end), or 150 days after the year end where no statutory deadline exists.

** "On budget" means that the actual hours to complete an audit did not exceed the budgeted hours by more than 15 percent.

Ensuring our audit reports are reliable

In 2008–09, we changed our performance indicator from "the percentage of internal practice reviews that find our audits in compliance with our quality management system" to "the percentage of practice reviews that find the opinions and conclusions expressed in our audit reports are appropriate and supported by the evidence." This change reflects the fact that while compliance with our Quality Management System is intended to ensure that audit opinions and conclusions are appropriate, ultimately it is the reliability of the opinions and conclusions expressed in our reports that is important to Parliament and the public.

The Office is currently undergoing a peer review led by the National Audit Office of Australia. The review encompasses all three of our main audit practices, as well as key services that directly support audit operations. We will report the results of the peer review in mid-2010.

The following table includes the objectives, indicators, and targets for ensuring that our audit reports are reliable (Exhibit 10).

Exhibit 10—Ensuring our audit reports are reliable	
Objectives	**Indicators and targets**
Our audit reports are reliable	100 percent of internal practice reviews find the opinions and conclusions expressed in our audit reports are appropriate and supported by the evidence
Our Quality Management System is suitably designed and operating effectively	External peer reviews find our quality management frameworks are suitably designed and operating effectively

Providing a respectful workplace

We are committed to providing a working environment in which all are treated with dignity and respect and encouraged to realize their full career potential. We encourage open and honest communication to create a climate of trust and teamwork. We value each other's talent and diversity and support learning and quality-of-life endeavours. These values define how we conduct ourselves and carry out our work. In addition, the Office strongly supports the values of competency, representativeness, non-partisanship, fairness, employment equity, transparency, flexibility, affordability, and efficiency. The Office includes these values in all of its human resource activities. In addition, since 2005 50 percent of managers' performance pay has been tied to their people management skills. Our biennial Employee Satisfaction Survey provides us with feedback on overall employee satisfaction, things we are doing well, and areas that deserve attention. The next survey is scheduled for 2010.

The following table includes the objectives, indicators, and targets for providing a respectful workplace (Exhibit 11).

Exhibit 11—Providing a respectful workplace

Objectives	Indicators and targets
Overall employee satisfaction	80 percent of employees believe the Office is either an above-average place to work or one of the best places to work
Bilingual workforce	• 100 percent of assistant auditors general and principals meet our language requirements • 75 percent of directors in bilingual regions meet our language requirements
Diverse workforce	100 percent representation relative to workforce availability for women, people with disabilities, Aboriginal peoples, and members of visible minorities
Employee retention	90 percent retention of audit professionals

Section III—Supplementary Information

Supplementary information tables

The following documents are located on the Treasury Board of Canada Secretariat's website at http://www.tbs-sct.gc.ca/rpp/2010-2011/index-eng.asp:

- Green procurement
- Sources of respendable and non-respendable revenue
- Internal audits planned for 2010–11 to 2012–13

Planned performance audits and studies

The Office of the Auditor General is planning to table the following performance audits during the 2010–11 fiscal year.

Federal performance audits

The following federal performance audits are planned for reporting in Spring 2010:

Auditor General

- Electronic Health Records in Canada—A Summary of Federal and Provincial Audit Reports
- Aging Information Technology Systems
- Modernizing Human Resource Management
- Rehabilitating the Parliament Buildings
- Sustaining Development in the Northwest Territories
- Scientific Research—Agriculture and Agri-food Canada
- Special Examinations of Crown Corporations—2009

The following federal performance audits are planned for reporting in Fall 2010:

Auditor General

- Conflict of Interest
- Animal Diseases—Canadian Food Inspection Agency
- Management and Control in Small Entities
- Facilitating Commercial Transactions—Canada Border Services Agency
- Military Helicopters—National Defence
- Registered Charities—Canada Revenue Agency
- Regulation of Banks—Office of the Superintendent of Financial Institutions
- Service to Canadians
- Canada's Economic Action Plan

Commissioner of the Environment and Sustainable Development

- Environmental Petitions
- Ocean Pollution
- Monitoring Water Resources
- Climate Impacts and Adaptation
- Assessing Cumulative Environmental Impacts

Territorial performance audits

The following territorial performance audits are planned for reporting in 2010–11:

Northwest Territories—Education (April 2010)
Yukon—Department of Health and Social Services (February 2011)
Nunavut—Health Programs (March 2011)

Other

In mid-2010, the Commissioner of the Environment and Sustainable Development will provide the Minister of the Environment with his comments on whether the targets and implementation strategies contained in the draft federal sustainable development strategy can be assessed as required by the *Federal Sustainable Development Act*. The Commissioner will also provide his comments to the House of Commons Standing Committee on Environment and Sustainable Development and to the Senate Standing Committee on Energy, the Environment and Natural Resources, and post them on the Office of the Auditor General website at www.oag-bvg.gc.ca.

Planned special examinations

The following table lists the special examinations we plan to complete in 2010–11. The *Financial Administration Act* requires Crown corporations to be the subject of a special examination within 10 years of their last special examination (Exhibit 12).

Exhibit 12—Special examinations planned for 2010–11
Organization
Canadian Dairy Commission
Freshwater Fish Marketing Corporation
National Arts Centre Corporation
Telefilm Canada

International activities

Our international strategy has the following four goals.

Contributing to the development and adoption of appropriate and effective professional standards

International accounting and auditing standards are influencing Canada's public and private sector standards and will soon be implemented in Canada. The Office plays an active role in shaping these standards, particularly as they relate to the public sector. To that end, employees in the Office participate in various task forces of the International Auditing and Assurance Standards Board to revise and develop International Standards on Auditing. In January 2008, the Auditor General became a member of the International Public Sector Accounting Standards Board of the International Federation of Accountants.

The Office is also a member of the Professional Standards Committee's Subcommittee on Financial Audit Guidelines of the International Organization of Supreme Audit Institutions (INTOSAI). This subcommittee supports and actively contributes to the work of developing high-quality guidelines for financial audit that are globally accepted for the audit of financial statements in the public sector.

Sharing knowledge among audit offices

Employees of the Office participate in various committees of INTOSAI, including the Subcommittee on Performance Audit, the Ad hoc Group on Transparency and Accountability, the Working Group on Information Technology Audit, the Working Group on Environmental Auditing, the Working Group on Value and Benefits of Supreme Audit Institutions, the Capacity Building Committee, the Subcommittee to Promote Increased Capacity Building Activities Among INTOSAI Members, and the Task Force on the Global Financial Crisis. The Auditor General assumed the chair of the Professional Standards Committee's Subcommittee on Accounting and Reporting of INTOSAI in November 2007.

Building capabilities and professional capacities of audit offices

The Office is actively involved in helping to build capacity in audit institutions located in French sub-Saharan Africa, in partnership with the Canadian International Development Agency (CIDA) and two executing agencies. We provide training to auditors from other national audit offices as part of the International Legislative Audit Office Assistance Program for Improved Governance and Accountability of the CCAF-FCVI Inc. This CIDA-funded program, which was established in 1980, brings auditors from other national audit offices to Canada for 10 months of training in performance auditing, accountability, and governance.

Promoting better managed and accountable international institutions

In early 2007, the Office was selected as the external auditor of the International Labour Organization for a four-year term, effective in 2008.

Our performance indicators and measures

The following tables summarize our targets and actual performance for 2008–09 and our targets for 2009–10 and 2010–11 (Exhibits 13 and 14).

Exhibit 13—Summary of our indicators of impact

Objectives and indicators	2008–09 Actual	2008–09 Target	2009–10 Target*	2010–11 Target
Our work adds value for the key users of our reports				
Percentage of audit committee chairs who find our financial audits add value	85	75	90	90
Percentage of parliamentary committee members who find our performance audits add value	n/a[1]	90	90	90
Percentage of board chairs who find our special examinations add value	97	90	90	90
Our work adds value for the organizations we audit				
Percentage of Crown corporation and large department senior managers who find our financial audits add value	83	75	80	80
Percentage of departmental senior managers who find our performance audits add value	75	65	70	70
Percentage of Crown corporation chief executive officers who find our special examinations add value	84	75	80	80
Key users of our reports are engaged in the audit process				
Number of parliamentary hearings and briefings we participate in	35	maintain or increase[2]	maintain or increase[2]	maintain or increase[2]
Percentage of performance audits reviewed by parliamentary committees	57	maintain or increase[2]	maintain or increase[2]	maintain or increase[2]
Key users of our reports and the organizations we audit respond to our findings				
Percentage of reservations that are addressed from one financial audit to the next	11	100	100	100
Percentage of performance audit recommendations substantially implemented four years after their publication	27	25	n/a[3]	n/a[3]
Percentage of performance audit recommendations fully implemented four years after their publication	63	50	n/a[3]	n/a[3]
Percentage of performance audit recommendations substantially or fully implemented four years after their publication[3]	90[3]	75[3]	75[3]	75[3]
Percentage of significant deficiencies that are addressed from one special examination to the next[4]	n/a[5]	100	100	100

* Shaded areas indicate revised targets effective 2009–10.

Exhibit 14—Summary of our organizational performance				
Objectives and indicators	**2008–09 Actual**	**2008–09 Target**	**2009–10 Target***	**2010–11 Target**
Our work is completed on time and on budget				
On time				
Percentage of financial audits completed on time[6]				
federal Crown corporations with statutory deadlines	91	100	100	100
other federal organizations with statutory deadlines	95	100	100	100
federal organizations with no statutory deadlines	84	70	80	80
territorial organizations	48	55	60	60
Percentage of performance audit reports completed by the planned tabling date as published in the *Report on Plans and Priorities*	97	90	90	90
Percentage of special examination reports delivered on or before the statutory deadline	75 (6/8)	100	100	100
On budget				
Percentage of audits completed on budget[7]				
Financial audits—federal Crown corporations	53	70	70	80
Financial audits—other federal organizations with statutory deadlines	47	70	70	80
Financial audits—federal organizations without a statutory deadline	76	70	70	80
Financial audits—territorial organizations	65	55	60	80
Performance audits	90	70	70	80
Special examinations	75 (6/8)	70	70	80
Our audit reports are reliable				
Percentage of internal practice reviews that find the opinions and conclusions expressed in our audit reports are appropriate and supported by the evidence[8]	95 (21/22)	100	100	100
External peer reviews find our quality management frameworks are suitably designed and operating effectively	n/a[9]	n/a[9]	n/a[9]	All[9]
We provide a respectful workplace				
Percentage of employees who believe the Office is either an above-average place to work or one of the best places to work	88[10]	n/a[10]	80	80

Exhibit 14—Summary of our organizational performance (continued)				
Objectives and indicators	**2008–09 Actual**	**2008–09 Target**	**2009–10 Target***	**2010–11 Target**
Percentage of management who meet our language requirements				
assistant auditors general and principals	85	100	100	100
directors in bilingual regions	76	75	75	75
Percentage representation relative to workforce availability for				
women	118	100	100	100
people with disabilities	119	100	100	100
Aboriginal peoples	97	100	100	100
members of visible minorities	74	100	100	100
Percentage retention of audit professionals	88	90	90	90

[1] The survey of parliamentarians was not carried out in 2008–09.

[2] There is no numeric target for these indicators as they depend on the number of sitting days and other factors beyond our control. Instead, the target is to maintain the percentage of parliamentary hearings and briefings we participate in, relative to the number of sitting days, and to maintain the percentage of audits reviewed by parliamentary committees.

[3] Beginning in 2009–10, the indicator will be reported as a combined total only (substantially and fully implemented).

[4] In light of the change in the *Financial Administration Act* to the frequency of special examinations, we will be reviewing the appropriateness of this indicator.

[5] For all eight special examinations completed in 2008–09, they either did not have significant deficiencies in the previous special examination, or there was no previous special examination as they were newly created Crown corporations.

[6] "On time" for financial audits means the statutory deadline where one exists (usually 90 days after year end), or 150 days after the year end where no statutory deadline exists.

[7] "On budget" means that the actual hours to complete an audit did not exceed the budgeted hours by more than 15 percent.

[8] As of 2008–09, this indicator replaced "Percentage of internal practice reviews that find our audits in compliance with our QMFs."

[9] The Office is currently undergoing a peer review led by the National Audit Office of Australia, and we will report the results of the peer review in mid-2010.

[10] The employee survey results shown were received in June 2008 and were reported in the 2007–08 Performance Report. We conduct employee surveys every two years.

* Shaded areas indicate revised targets effective 2009–10.